Public Service Pension Plan

Annual Report

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Public Service Pension Plan

2001 Annual Report

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MESSAGE FROM THE BOARD

The new Public Service Pension Board of Trustees is pleased to present our first annual report, which covers the Public Service Pension Plan fiscal year ending March 31, 2001. We welcome all new members to the Public Service Pension Plan.

Joint Trusteeship

Effective January 1, 2001, the Public Service Pension Plan's sole trustee appointed by the provincial government was replaced by a fifteen-member board of trustees. This historic event in the life of the Public Service Pension Plan was made possible by provisions in the *Public Sector Pension Plans Act* that came into force on April 1, 2000. The new legislation paved the way for representatives of the plan stakeholders—government, employers, unions, plan member associations and members—to negotiate an agreement to share the governance of the plan as well as the gains or surpluses and liability for deficiencies in the pension fund, and simplified public sector pension plan administration and management.

The partners on an ongoing basis are the provincial government as the plan employer partner and the B.C. Government and Service Employees' Union (BCGEU) as the plan member partner. The plan employer partner appoints seven trustees, one of whom must be nominated by the Crown Corporations Employers' Association and one of whom must be nominated by the British Columbia Excluded Employees' Association. The plan member partner appoints six trustees, two of whom must be nominated by unions other than the BCGEU. For the first five years of joint trusteeship, one of the non-BCGEU trustees must be nominated by the Professional Employees Association. One trustee is appointed by the B.C. Government Retired Employees' Association. The fifteenth member, the chair, was appointed by the trustees.

The new structure simplifies, modernizes and enhances the governance of the pension plan. For more information, please refer to the booklet distributed during the summer of 2000, *Joint Trusteeship of the Public Service Pension Plan*, or to the Public Service Pension Plan web site at **pensions.bc.ca**.

Membership

There are currently approximately 58,000 active plan members and 24,000 retired plan members. Active plan membership is projected to remain relatively stable in the next three years. The number of retired members increased by about 4% during the year and is projected to continue to grow by 4% per year in the next three years.

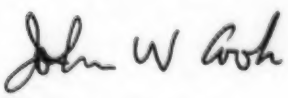
Members' basic pension benefits are guaranteed. Other benefits, such as inflation protection to the basic pension and extended health, dental, Medical Services Plan and group life coverage are not guaranteed. The board monitors the ability to continue to provide these benefits on an ongoing basis.

MESSAGE FROM THE BOARD

Benefits Administration

The change to the new computerized Integrated Pension Administration System (IPAS) created some setbacks for the Pension Corporation and caused significant backlogs. Notwithstanding this, all new retired members who provided the necessary information received their first payment within one month of their retirement. Additional staff have been trained and assigned to improve the quality and timeliness of service. We are pleased to report that, as a result of the increases in staffing and the successful implementation of IPAS, the backlogs are being addressed, and we anticipate that they will be reduced over time. The board appreciates all the additional effort by Pension Corporation staff and the patience of plan members and employers while we work through this difficult period.

Next year, after the board's first full year of being responsible for the pension plan, we expect to report that service levels have improved significantly and meet the objectives set by the board. We look forward to serving the Public Service Pension Plan and its members. We can be contacted through the addresses on the back cover.



John W. Cook, Chair

TRUSTEES AS AT MARCH 31, 2001

John W. Cook, Chair

Ed Bodner, Joyce Burns, Bruce Clow, David Day, Doug Hensby, Derek Johnston, Bruce Kennedy, Margaret Marriott, Paul Martin, Sandi McLean, Wayne Scale, Thea Vakil, David Vipond, Diane Wood.

THE PLAN AND ITS PARTICIPANTS

The Public Service Pension Plan is a defined benefit pension plan. Benefits are based on an employee's highest five years of salary multiplied by the employee's length of pensionable service.

The plan provides benefit entitlements prior to retirement. Following termination of employment, a member may choose either a deferred pension or a commuted value payment after two years of enrolment in the plan, or a refund of contributions with interest if enrolled less than two years. The plan also provides benefits if a member is disabled or dies before retiring.

Members of the Public Service Pension Plan are primarily employees of the British Columbia provincial government and certain Crown corporations, agencies and institutions. Once an employee qualifies to join the plan or elects to contribute, contributions must continue as long as the employee remains with the employer, or until 35 years of pensionable service have accumulated.

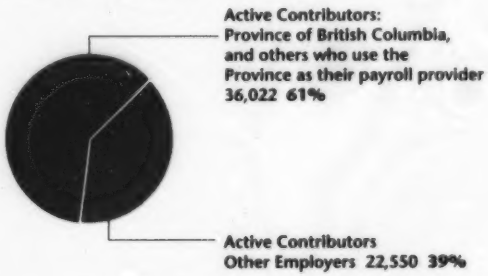
Public Service Pension Plan Active Employers

Province of British Columbia
British Columbia Assets and Land Corporation
British Columbia Assessment Authority
British Columbia Buildings Corporation
British Columbia Excluded Employees' Association
British Columbia Ferry Corporation
British Columbia Ferry and Marine Workers' Union
British Columbia Government and Service Employees' Union
British Columbia Health Research Foundation
British Columbia Heritage Trust
British Columbia Housing Management Commission
British Columbia Investment Management Corporation
British Columbia Institute of Technology
British Columbia Liquor Distribution Branch
British Columbia Mental Health Society
British Columbia Pavilion Corporation
British Columbia Pension Corporation
British Columbia Provincial Capital Commission
British Columbia Securities Commission
British Columbia Transit Authority (Victoria)
British Columbia Transportation Financing Authority
British Columbia Treaty Commission
Coast Capital Savings
Coast Mountain Bus Company
College of Registered Psychiatric Nurses of British Columbia

THE PLAN AND ITS PARTICIPANTS

Columbia Power Corporation
Emergency Communications Corporation
Emergency Health Services Commission
First Peoples' Heritage, Language and Cultural Council
Fisheries Renewal BC
Forensic Psychiatric Services Commission
Fraser River Marine Transportation
Homeowner Protection Office
Industry Training and Apprenticeship Commission
Insurance Corporation of British Columbia
Islands Trust
Oak Bay Lodge Society
Office and Professional Employees' International Union, Local 378
Office of Jobs and Timber Accord Advocate Inc.
Okanagan Valley Tree Fruit Authority Corporation
Pacific Coast Savings Credit Union
Pacific Vehicle Testing Technologies
Professional Employees Association
Regional Health Boards and Societies (21)
Science Council of British Columbia
Tillicum and Veterans Care Society (Broadmead Lodge)
Tourism British Columbia
TransLink (Greater Vancouver Transportation Authority)
Union of Psychiatric Nurses

Contributor Employment as at March 31, 2001



FINANCIAL AND OPERATIONAL HIGHLIGHTS

The Public Service Pension Plan is financially sound. Every three years an independent actuary assesses the financial health of the plan. At the latest actuarial valuation as at March 31, 1999, the plan's surplus for funding basic benefits had increased to $929 million, from $222 million in 1996.

The Public Service Pension Plan holds a diversified portfolio of debt and equity investments that facilitates prudent management of risk. The portfolio decreased from $12.4 billion in 2000 to $11.7 billion at March 31, 2001, primarily as a result of negative investment returns.

Active membership in the Public Service Pension Plan increased by about 3% in 2001. There are over 58,000 active plan members and about 24,000 retired members.

The number of retired members grew 3.4% in 2001.

The number of pensions granted in 2001 increased 17%.

Investments as at March 31, 2001

	Performance Benchmarks 2001	2001	2000
Market Value ($ Billions)		$11.7	$12.4
Basic Account Market Value Rates of Return			
Annual	-5.6%	-3.0%	18.6%*
Five-year Average	10.2%	10.4%	13.9%
Inflation Account Market Value Rates of Return			
Annual	-5.3%	-3.0%	19.2%*
Five-year Average		10.5%	13.8%

*2000 ANNUAL RATES OF RETURN HAVE BEEN UPDATED FROM THE *2000 ANNUAL REPORT SUMMARY*

Latest Actuarial Valuation as at March 31, 1999

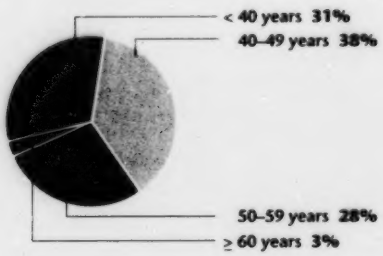
$ Millions

	Basic Pension Benefits Net Surplus (Unfunded)	
	1999	1996
For Funding Purposes (statutory contributions)*	$929	$222
Ratio of Surplus (Unfunded) Liability to Covered Payroll*	41%	10%
Based on Accrued Benefits to March 31	$1,086	$209

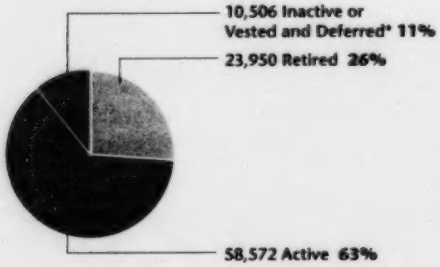
* ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING STATUTORY RATES.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

2001 Age Profile of Active Members

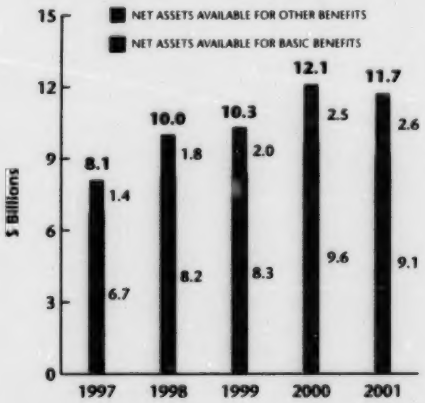


2001 Membership Profile



* MEMBERS NO LONGER EMPLOYED, BUT WITH MONEY IN THE PLAN.

Net Assets Available for Benefits as at March 31, 1997–2001



FINANCIAL AND OPERATIONAL HIGHLIGHTS

Five-year Summary Statement of Changes in Net Assets Available for Benefits (Unaudited)

	$ Thousands				
For the year ended March 31	**2001**	2000	1999	1998	1997
Increase (Decrease) in Assets					
Net Investment Income					
Total Investment Income (Loss)	**$ (311,161)**	$ 1,902,509	$ 296,511	$1,839,825	$ 955,975
Investment Management Costs	**(16,238)**	(12,475)	(11,082)	(10,445)	(6,377)
	(327,399)	1,890,034	285,429	1,829,380	949,598
Contributions					
Members	**140,960**	137,041	142,225	138,139	139,290
Employers	**126,929**	96,420	193,632	191,944	197,850
Transfers from Other Plans	**9,294**	4,688	3,729	9,644	8,728
Total Increase (Decrease) in Assets	**(50,216)**	2,128,183	625,015	2,169,107	1,295,466
Decrease in Assets					
Pension Benefits	**295,545**	276,743	266,864	257,295	225,827
Termination Benefits	**22,952**	18,411	24,562	40,089	20,914
Transfers to Other Plans	**13,810**	5,080	530	718	948
Supplemental Benefits	**8,636**	8,468	8,033	7,254	6,495
Administration Costs	**6,496**	6,717	7,890	7,518	6,102
Total Decrease in Assets	**347,439**	315,419	307,879	312,874	260,286
Increase (Decrease) in Net Assets	**(397,655)**	1,812,764	317,136	1,856,233	1,035,180
Net Assets Available for Benefits at Beginning of Year	**12,117,833**	10,305,069	9,987,933	8,131,700	7,096,520
Net Assets Available for Benefits at End of Year	**$11,720,178**	$12,117,833	$10,305,069	$9,987,933	$8,131,700
		As a Percentage of Net Assets			
Benefit Administration Costs	**0.06**	0.06	0.08	0.08	0.08
Investment Management Costs	**0.14**	0.10	0.11	0.10	0.08

ROLES AND RESPONSIBILITIES

The Public Service Pension Plan became a jointly trusteed pension plan on January 1, 2001 under a joint trust agreement between the provincial government, the B.C. Government and Service Employees' Union, the Professional Employees Association and the Union of Psychiatric Nurses. The agreement describes the composition, appointment, powers, functions and duties of the trustees to manage the pension plan and the fund.

The partners are responsible for directing amendments to the plan, if certain conditions are met, and resolving trustee disputes. The new Public Service Pension Board of Trustees is fully responsible for the management of the pension fund, including the investment of the assets, and the administration of the pension plan.

The board of trustees may amend the pension plan rules as long as changes can be funded by pension fund surpluses. Plan rule changes that result in contribution rate changes must be approved by the partners. If the actuary determines that it is necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

British Columbia Pension Corporation

The British Columbia Pension Corporation is the sole provider of administrative services to the pension plan. The corporation is directly answerable to the board of trustees for benefit administration service levels. In addition, the board of directors of the corporation consists of two members from each of the Public Service, College, Municipal and Teachers' pension boards, giving the pension boards a strong voice in the administration of the plans.

British Columbia Investment Management Corporation

The British Columbia Investment Management Corporation (bcIMC) is directly answerable to the board of trustees for providing investment management services within asset mix policies approved by the trustees. The bcIMC's board also includes representatives from the Public Service, College, Municipal and Teachers' pension boards.

INVESTMENTS

Message from the Chief Investment Officer

The Public Service Pension Plan has a well-diversified portfolio and extensive holdings in both fixed income instruments (short-term, mortgages, and bonds) and equities (domestic and foreign stocks, and real estate). This, combined with our commitment to due diligence and disciplined portfolio management, positions the plan to profit from strong markets and helps to mitigate losses when they are weak.

Overall, the past decade has been a strong period for the economy and capital markets. There was a significant improvement in fiscal performance, as many governments went from running large deficits to budgetary surpluses. At the same time, economic growth was strong and there was a significant drop in unemployment. For example, the U.S. experienced the longest economic expansion in its history and its unemployment rate fell to a 30-year low. While such an economic environment will generally produce higher inflation and interest rates, globalization and productivity improvements caused both rates to fall during the 1990s.

This economic environment combined with large inflows to capital markets, led to strong returns from equities during the 1990s. In Canadian dollar terms, the S&P 500 index increased at an annualized rate of 21.0% and the TSE 300 index increased at 10.6%. The returns for the five years ending December 31, 1999 were even higher at 29.5 and 17.0% respectively.

The prospect of slower economic growth, and the failure of companies to meet investors' earnings expectations, led to a significant reversal in fiscal 2000/01. In Canadian dollar terms, the S&P 500 index fell 15.1% and the TSE 300 was down 18.6%. The correction was even more severe in certain sectors, most notably, technology and telecommunications. Strong capital inflows to these sectors in recent years created an asset bubble but it burst last year. For example, Nortel Networks rose 287% in fiscal 1999/00 but lost all of this gain during the last six months. Overall, there was a dramatic reversal in the fortunes of growth and value stocks.

With the sharp market correction, fiscal 2000/01 returns were disappointing. However, losses from stock markets were partially offset by good returns from other asset classes, such as real estate and bonds. For the year ending March 31, 2001, the basic account earned -3.0%. While still negative, it was significantly above the market benchmark of -5.6%, as our portfolio managers added significant value by mitigating losses. It should also be noted that the return in fiscal 1999/00 was 18.6% and the five-year annualized return was 10.4%. Strong investment returns are a key reason for the plan's improved funding position and illustrate why it is always important to assess a pension plan's performance from a longer-term perspective.

On a go-forward basis, we believe that more subdued returns and high market volatility may continue for some time to come. We are also anticipating that equity markets will continue to become more highly correlated and this will reduce diversification benefits from foreign stocks. In such an environment, it is important that investors understand the potential impact that key market forces (e.g., technology, globalization, etc.) will have upon different business models and their revenue/earnings strategies. It is also important that investment managers take an active role in corporate governance to ensure that their clients' interests are being protected.

INVESTMENTS

While short-term returns may continue to be more subdued, pension plans have long investment time horizons and should focus on longer-term performance issues, such as demographic transition. The baby boomers are continuing to increase their retirement savings and this should help support capital market returns over the medium term. However, it will also result in increased pension payments when they begin to retire. While these tend to be slow-moving forces, it is important to structure the portfolio to take advantage of long-term market opportunities and challenges that they will create.

Doug Pearce
Chief Investment Officer/Chief Executive Officer
BC Investment Management Corporation

INVESTMENTS

The Public Service Pension Plan holds a diversified portfolio of debt and equity investments that facilitates prudent management of risk. The portfolio decreased from $12.4 billion in 2000 to $11.7 billion at March 31, 2001, primarily as a result of negative investment returns. While short-term returns may continue to be more subdued, pension plans have long investment time horizons and should focus on the longer term. The five-year annualized rate of returns was 10.4%.

Approved Investment Asset Mix

Strategic and short-term asset allocation targets are set within the ranges in the chart below. Short-term for asset mix purposes includes government bonds with one- to five-year terms and money market funds.

The board approved a new asset allocation policy in March, 2000. These changes have caused the portfolio to exceed the maximum range for bonds as at March 31, 2001. The portfolio will be brought into line with the range over the next quarter.

Approved Investment Asset Mix

	Market Value	
Asset Class	**Lower Limit**	**Upper Limit**
Debt	**25%**	**45%**
Short-term	0%	10%
Bonds	15%	30%
Mortgages	0%	10%
Equity	**55%**	**75%**
Canadian Equities	15%	30%
U.S. Equities	5%	20%
International Equities	10%	25%
Real Estate	5%	12%
Private Placements	0%	6%

INVESTMENTS

Investment Portfolio

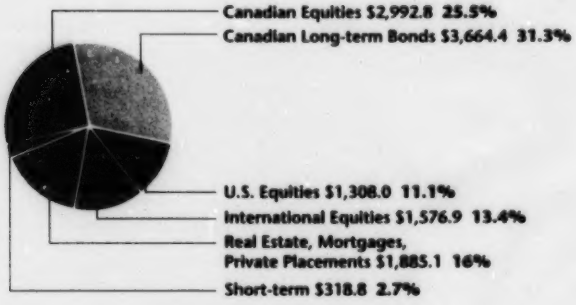
Investments Held as at March 31, 2001

	Market Value	Asset Mix % Market Value
Province of BC Pooled Investment Portfolio Units		
Money Market	$ 147,668,274	1%
Canadian Bonds		
Government	2,681,955,916	23%
Corporate	702,853,312	6%
Short-term (to 5 years)	171,172,344	2%
Canadian Equities		
Indexed	2,098,095,736	18%
Actively Managed	894,566,948	8%
U.S. Equities		
Indexed	823,387,134	7%
Actively Managed	484,608,397	4%
International Equities		
Asia	255,135,108	2%
Europe	488,447,952	4%
Europe, Australia and the Far East	833,332,544	7%
Real Estate	1,092,692,393	9%
Mortgages	402,562,617	4%
Private Placements	390,081,965	3%
Total Pooled Portfolios	$11,466,560,640	98%
Canadian Real Return Bonds	279,599,956	2%
Canadian Equities	111,525	
Total Investments	$11,746,272,121	100%
2000 Comparison	$12,405,872,724	

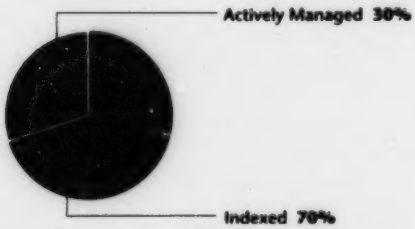
INVESTMENTS

2001 Investment Holdings (Market Value)

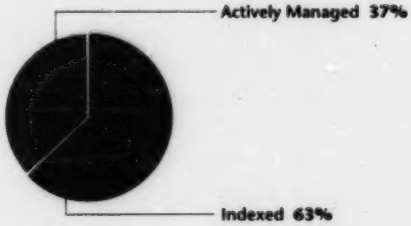
$ Millions


Canadian Equities $2,992.8 25.5%
Canadian Long-term Bonds $3,664.4 31.3%
U.S. Equities $1,308.0 11.1%
International Equities $1,576.9 13.4%
Real Estate, Mortgages, Private Placements $1,885.1 16%
Short-term $318.8 2.7%

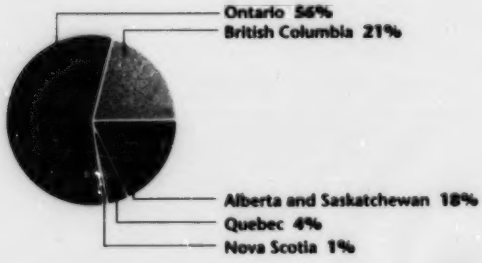
Canadian Equities (Market Value)



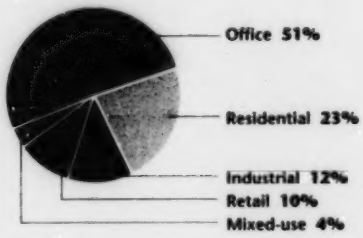
U.S. Equities (Market Value)



Real Estate, by Location



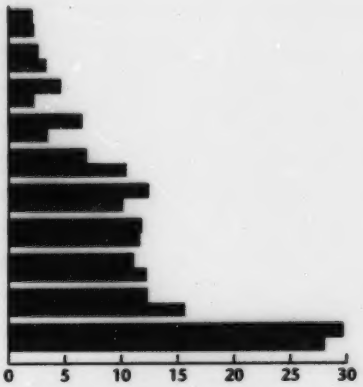
Real Estate, by Type



INVESTMENTS

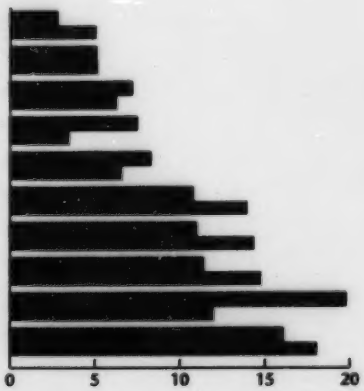
Canadian Equities, by Sector

	Indexed	Actively Managed
Consumer Staples	2.1%	2.3%
Health Care	2.6%	3.4%
Utilities	4.6%	2.3%
Telecommunications Services	6.5%	3.5%
Consumer Discretionary	6.9%	10.5%
Information Technology	12.4%	10.2%
Materials	11.8%	11.7%
Industrial Products	11.1%	12.3%
Energy	12.3%	15.7%
Financial Services	29.7%	28.1%
	100%	100%



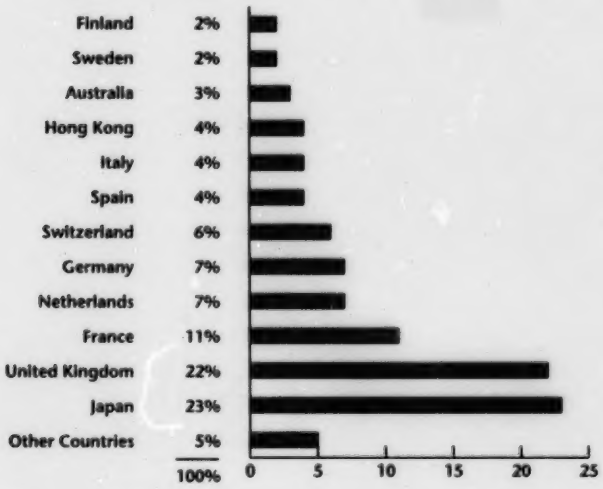
U.S. Equities, by Sector

	Indexed	Actively Managed
Materials	2.8%	5.1%
Utilities	5.1%	5.2%
Consumer Staples	7.2%	6.3%
Telecommunications Services	7.5%	3.5%
Energy	8.3%	6.6%
Health Care	10.8%	14.0%
Industrials	11.0%	14.4%
Consumer Discretionary	11.4%	14.8%
Financial Services	19.8%	12.0%
Information Technology	16.1%	18.1%
	100%	100%



INVESTMENTS

International Equities



Investment Performance

Net Earned Rate of the Fund

Year	%
1997	10.7
1998	12.4
1999	11.5
2000	13.9
2001	**10.4**

RATES OF RETURN ARE BASED ON A FIVE-YEAR AVERAGE.

INVESTMENTS

Market Value Rates of Return for the Year Ended March 31, 2001

	Basic Account	Inflation Adjustment Account	2001 Performance Benchmarks	
Five-year Average Rates				
2001	**10.4%**	**10.5%**	**10.2%**	
2000 Comparison	13.9%	13.8%	14.4%	
Annual Rates				
2001	**-3.0%**	**-3.0%**	**-5.6%**	
2000 Comparison	18.6%	19.2%	19.1%	
2001 Annual Rates by Investment Category			**2001 Performance Benchmark Indices**	
Short-term				
Money Market	6.0%	6.0%	5.7%	SCI 91-Day Treasury Bills
Bonds	8.9%	8.9%	8.8%	SCI Short-term Government Bonds
Bonds				
Government	8.8%	8.8%	8.7%	SCI Government Universe
Corporate	9.1%	9.1%	8.7%	SCI Corporate Universe
Long-term	6.9%	6.9%	6.9%	RBC DS Long Government Bonds
Real Return	0.0%	13.3%	0.0%	SCI Real Bond
Canadian Equities				
Actively Managed	1.9%	1.9%	-15.0%	TSE 300
Indexed				
TSE 300	-17.6%	-17.6%	-18.6%	TSE 300
TSE 100	-19.4%	-19.4%	-20.2%	TSE 100
U.S. Equities				
Actively Managed	-16.6%	-16.6%	-16.2%	R 1000
Enhanced	-17.5%	-17.5%	-16.2%	R 1000
Indexed	-14.8%	-14.8%	-15.1%	S&P 500
International Equities				
Asia	-37.3%	-37.3%	-26.5%	MSCI Pacific Basin Net
Europe	-19.0%	-19.0%	-16.2%	MSCI Europe Net
Europe, Australia and the Far East	-18.9%	-18.9%	-19.6%	MSCI EAFE Net
Real Estate	9.3%	9.3%	11.9%	R Canadian Property Index
Mortgages				
Fixed-term	9.7%	9.7%	10.0%	SCI Short-term Bonds + 1%
Construction	9.5%	9.5%	7.9%	SCI Treasury Bills + 1%
Specialty	10.7%	10.7%	9.5%	SCI One-year Bills + 2.5%

Performance Benchmark Indices Abbreviations

SCI	= Scotia Capital Inc.
RBC DS	= Royal Bank Dominion Securities
TSE	= Toronto Stock Exchange
R	= Russell
S&P	= Standard & Poor's
MSCI	= Morgan Stanley Capital International
MSCI EAFE	= Morgan Stanley Capital International Europe, Australia & Far East

(SOURCE OF ANNUAL RATES: BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION)

ACTUARIAL VALUATION/PLAN FUNDING

At least every three years an independent actuary assesses the financial health of the pension plan and the adequacy of contribution rates for funding the pension plan. The valuation considers benefits a member has earned to date (accrued benefits), as well as benefits a member is likely to earn in future service.

The most recent actuarial valuation viewed the plan as at March 31, 1999 and indicated that the plan had accumulated a $929 million surplus for basic benefits. This was an increase over the $222 million surplus reported for 1996. As a result, annual reductions to basic employer contributions were increased effective April 1, 1999, in accordance with plan provisions. These reductions ended on March 31, 2001.

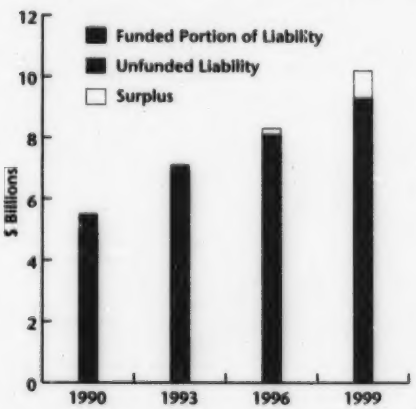
Latest Actuarial Valuation – March 31, 1999
Basic Pension Benefits

$ Millions

	Basic Pension Benefits Net Surplus (Unfunded)			
	1999	1996	1993	1990
For Funding Purposes (statutory contributions)*	$929	$222	($193)	($438)
Ratio of Surplus (Unfunded) Liability to Covered Payroll*	41%	10%	(10%)	(32%)
Based on Accrued Benefits to March 31	$1,086	$209	($140)	($347)

*ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING STATUTORY RATES.

Funding of the Total Basic Benefit Liability



MEMBER SERVICES

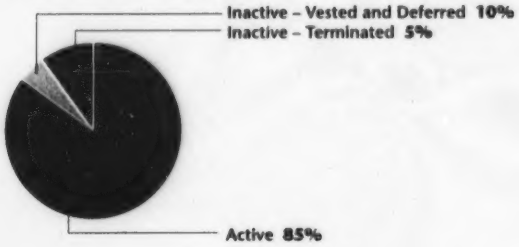
Members and Contributions

There are three types of plan members in the Public Service Pension Plan:

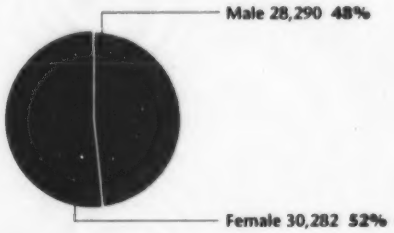
- Active members are currently contributing, receiving benefits from an approved salary continuance plan or are on a leave of absence.
- Inactive members have terminated their employment with contributions deposited in the plan. They may or may not be eligible for a pension in the future. Those who are eligible are known as vested and deferred members. Even if an inactive member is not entitled to a Public Service Pension Plan benefit, they may be eligible for a pension as a result of combining their entitlement in other pension plans covered by the Interplan Pension Transfer Agreement. From 1998 onward, the number of vested and deferred members has been adjusted to include these inactive members.
- Retired members are receiving a pension.

Active membership in the Public Service Pension Plan increased by about 3% in 2001. Today there are over 58,000 active plan members and about 24,000 retired members.

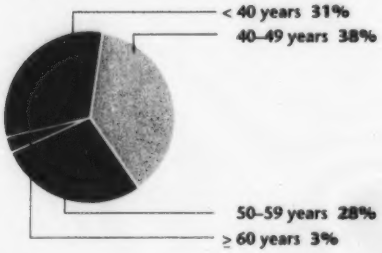
2001 Member Profile



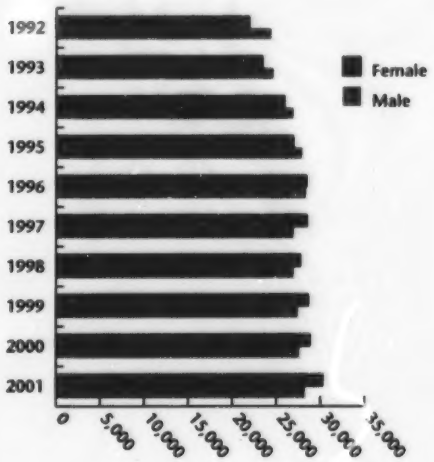
2001 Active Member Profile



2001 Age Profile of Active Members



Active Members

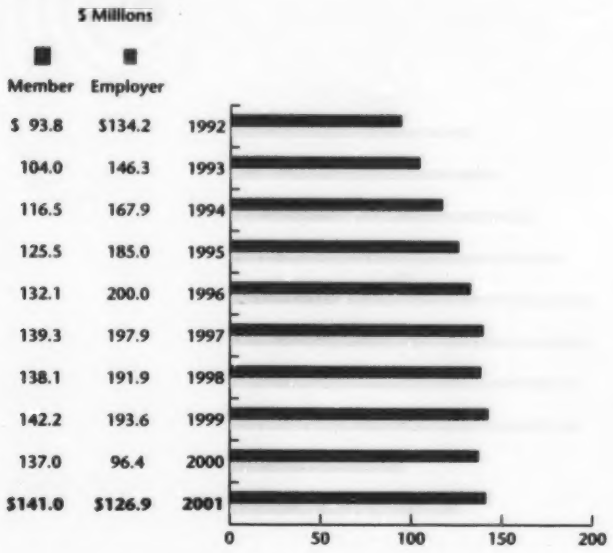


MEMBER SERVICES

Number of Members

	Active	Inactive	Vested and Deferred	Total
1997	57,397	5,843	2,493	65,733
1998	55,020	4,310	4,964	64,294
1999	56,128	4,425	5,196	65,749
2000	56,487	3,561	5,823	65,871
2001	**58,572**	**3,758**	**6,748**	**69,078**

Contributions



MEMBER SERVICES

Termination Benefits

A terminating member may be eligible for one or more of the following benefits:

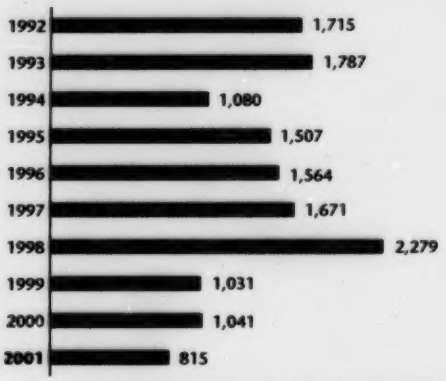
- a refund of contributions with interest
- a transfer of the commuted value of the pension benefit to a locked-in registered retirement savings plan or a registered pension plan, or
- a deferred pension.

The number and value of termination benefits paid can vary from year to year, depending on the employment environment, the type of termination benefit paid and the plan member's entitlement. The number of termination benefits paid in 2001 decreased significantly compared to 2000. The value of termination benefits paid increased compared to 2000.

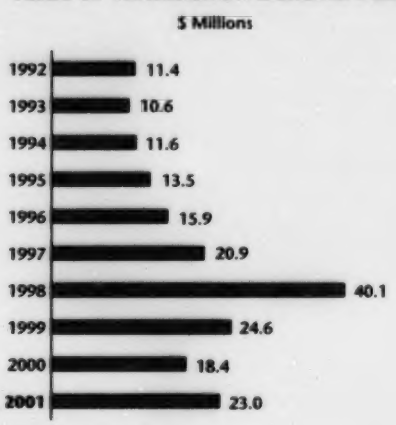
If a member leaves the plan, and is eligible for a refund of contributions, the refund includes interest. Interest compounds semi-annually and is credited to the member's contribution balance. The balance, including interest, is included in the plan member's annual benefit statement.

The rate of interest is governed by pension standards and pension plan legislation and is based on average five-year bank personal term deposit rates.

Number of Termination Benefits Paid



Value of Termination Benefits Paid



TERMINATION BENEFITS PAID INCLUDE ONLY REFUNDS OF CONTRIBUTIONS AND COMMUTED VALUE PAYMENTS; DEFERRED PENSIONS ARE INCLUDED IN PENSION STATISTICS.

Annual Rates for Interest Credited to Contribution Balances

	September	March
1996/97	5.82%	4.71%
1997/98	4.67%	4.28%
1998/99	4.33%	4.10%
1999/00	4.54%	5.34%
2000/01	5.28%	4.78%

MEMBER SERVICES

Pensions

The number of retired members grew 3.4% in 2001. The number of pensions granted in 2001 increased 19% over the number granted in 2000.

Pensions are paid at the end of each month, beginning with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible
- the month following the month in which the plan member receives the final salary, or
- the month in which the Pension Corporation receives the member's application.

The plan pays a full month's pension for the month in which a retired member dies.

Pensions 1992–2001

	Public Service			MLA					
	Granted during Year	Pension Terminations	In Force at End of Year	Granted during Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid ($ Millions)	Inflation Supplements Paid ($ Millions)	Total ($ Millions)
1992	732	276	17,204	20	–	100	$139.4	$42.0	$181.4
1993	696	219	17,681	–	3	97	142.7	47.5	190.2
1994	740	273	18,148	2	3	96	146.3	48.9	195.2
1995	880	343	18,685	1	–	97	152.0	50.1	202.1
1996	1,088	382	19,391	–	1	96	160.7	50.2	210.9
1997	1,321	415	20,297	12	2	106	173.0	52.8	225.8
1998	2,178	414	22,061	–*	3	103*	203.1	54.2	257.3
1999	981	447	22,595	1	2	102	211.3	55.6	266.9
2000	1,066	505	23,156	2	2	102	220.2	56.6	276.8
2001	**1,264**	**454**	**23,966**	**1**	**1**	**102**	**$234.4**	**$61.1**	**$295.5**

*1998 CORRECTED TO INCLUDE A BENEFICIARY PENSION TO THE SPOUSE OF AN MLA.

Basic pensions have a significant value. The value of a basic pension depends on a number of factors, including the member's age, salary and years of service at retirement.

The accompanying table shows the average asset value ("present value") of pensions granted during 2001. The asset value represents approximately how much it would cost to purchase an average basic pension provided under the Public Service Pension Plan.

When a Member of the Legislative Assembly receives a pension, the present value of the pension is transferred from the Members of the Legislative Assembly Superannuation Account to the Public Service Pension Fund, which pays the monthly benefit.

MEMBER SERVICES

Value of Normal Pensions Granted April 1, 2000 to March 31, 2001

Subdivided by Years of Service

Years of Service *	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension (Single Life Option)	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
< 10 yrs	62	$40,000	$ 4,000	$ 57,000	$ 3.5
10 – 14	102	43,000	8,000	113,000	11.5
15 – 19	105	43,000	12,000	164,000	17.2
20 – 24	187	47,000	16,000	220,000	41.1
25 – 29	230	49,000	19,000	290,000	66.7
30 – 34	223	51,000	25,000	405,000	90.3
≥ 35	108	52,000	27,000	440,000	47.5
Total	1017	n/a	n/a	n/a	$278.0
All Pension Average	n/a	$48,000	$18,000	$273,000	n/a

* YEARS OF SERVICE INCLUDES SERVICE TRANSFERRED FROM OTHER PLANS.

Transfers from the Members of the Legislative Assembly Superannuation Account, 1992–2001

$ Thousands

	Present Value of Pensions Transferred	Inflation Adjustment Contributions Transferred
1992	$ 9,182	65
1993	–	67
1994	605	98
1995	246	114
1996	–	103
1997	4,687	43
1998	–	25
1999	188	60
2000	559	56
2001	$ 222	42

MEMBER SERVICES

Pensions Granted, by Type 1992–2001

	Normal*	Death*	Disability+	Deferred	Total
1992	533	42	88	69	732
1993	520	43	83	50	696
1994	574	27	66	73	740
1995	684	27	83	86	880
1996	862	28	98	100	1,088
1997	1,049	27	172	73	1,321
1998	1,741	21	293	123	2,178
1999	729	40	77	135	981
2000	808	43	86	129	1,066
2001	**1,017**	**45**	**106**	**96**	**1,264**

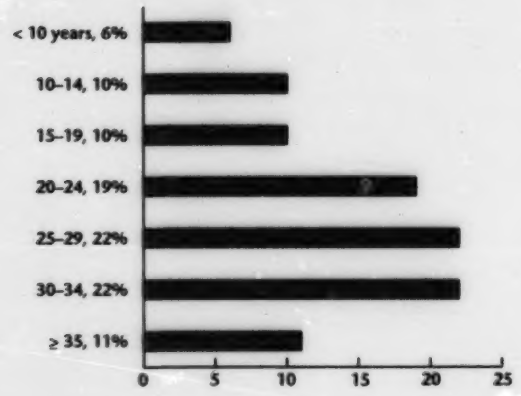
* PENSIONS GRANTED DO NOT INCLUDE ANY PENSION CONTINUED TO A BENEFICIARY UPON THE DEATH OF A RETIRED MEMBER
+ INCLUDES MEMBERS ON LONG-TERM DISABILITY WHO BECAME ELIGIBLE FOR A REGULAR PENSION.

Public Service Normal Pensions Granted in 2001, Age at Retirement

For those whose normal retirement age was 65
Subdivided by years of service and age at retirement

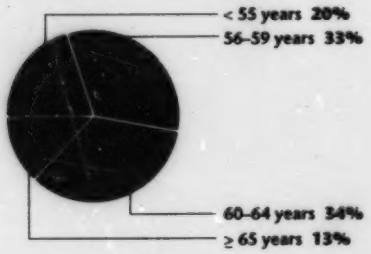
Years of Service	55	56–59	60–64	65	Total
< 10 yrs	8	11	26	17	62
10 – 14	13	22	41	23	99
15 – 19	13	21	43	24	101
20 – 24	26	37	89	33	185
25 – 29	25	91	85	20	221
30 – 34	71	101	38	7	217
≥35	44	41	20	1	106
Total	**200**	**324**	**342**	**125**	**991**

Percentage of Normal Pensions by Years of Service (Normal Age 65)



MEMBER SERVICES

Percentage of Normal Pensions by Age (Normal Age 65)

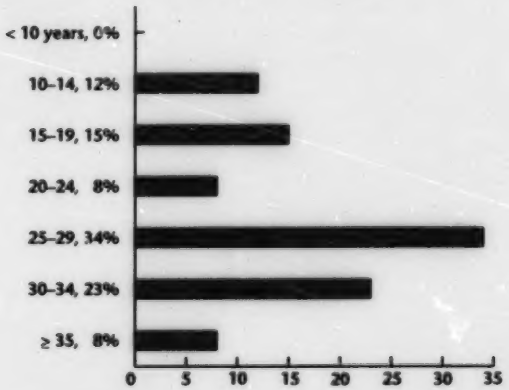


Public Service Normal Pensions Granted in 2001, Age at Retirement

For those whose normal retirement age was 60
Subdivided by years of service and age at retirement

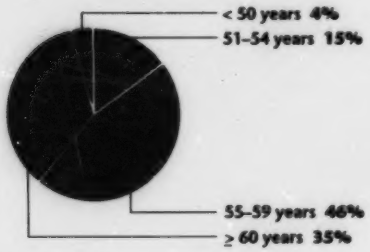
Years of Service	50	51–54	55–59	60	Total
< 10 yrs	–	–	–	–	0
10 – 14	–	–	1	2	3
15 – 19	–	–	1	3	4
20 – 24	–	–	–	2	2
25 – 29	1	1	5	2	9
30 – 34	–	3	3	–	6
≥ 35	–	–	2	–	2
Total	1	4	12	9	26

Percentage of Normal Pensions by Years of Service (Normal Age 60)



MEMBER SERVICES

Percentage of Normal Pensions by Age (Normal Age 60)



Portability Provisions

Portability allows pension plan members to carry pension rights from one plan to another. For instance, members of the Public Service Pension Plan may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has a portability agreement with the Public Service Pension Plan. Employers who allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers."

Members of the Public Service Pension Plan who have made contributions to another pension plan should inquire about portability agreements.

In 2001, there were 271 reciprocal transfers in from other agencies and 262 transfers out. The transfers-in totaled $9 million; transfers-out totaled $13.8 million. As a result of changes in interplan portability provisions, transfers now include those between the Public Service Pension Plan and three other BC public sector plans (College, Municipal and Teachers').

Purchase of Additional Service

It may be possible for plan members to purchase additional service. This service may include:

- approved leaves of absence
- arrears contributions
- non-contributory service, or
- reinstatement of refunded contributions.

The number of purchases of additional service decreased 16% from 2000, and the value decreased 27%.

MEMBER SERVICES

Member and Employer Purchases of Additional Service

	Number of Purchases		Value of Purchases ($ Thousands)	
	2001	2000	2001	2000
Approved Leaves of Absence	128	106	$ 648	$ 435
Arrears Contributions	29	79	82	204
Non-contributory Service	666	835	4,527	6,090
Reinstatement of Refunded Contributions	263	279	2,595	4,083
Total	1,086	1,299	$7,844	$10,812

Communications

The board continues to make communicating with plan members a priority. The board established a Communications Committee, with employer and plan member representatives from the board working with the corporation in a joint effort to improve communication materials. The corporation also continues to produce *Pensionfacts*, a series of information sheets on various topics, and a newsletter for retired members. Information about the plan is available on-line at **pensions.bc.ca**.

FINANCIAL STATEMENTS

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Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

AUDITORS' REPORT

To the Members of the Public Service Pension Plan

We have audited the statement of net assets available for benefits of the Public Service Pension Plan as at March 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the Plan's net assets available for benefits as at March 31, 2001 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at and for the year ended March 31, 2000 were reported on by the Auditor General of British Columbia.

KPMG LLP

Chartered Accountants

Victoria, Canada

July 9, 2001, except as to notes 7 and 8
which is as of October 25, 2001

FINANCIAL STATEMENTS

PENSION
CORPORATION

Executive
Offices

Mailing Address:
PO Box 9460
Stn Prov Govt
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

Phone:
250-387-8201
1-800-663-8823
Fax:
250-387-4199

PUBLIC SERVICE PENSION PLAN

ADMINISTRATOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Public Service Pension Plan were prepared by the British Columbia Pension Corporation, the benefit administrator for the pension plan. The Corporation is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report for the pension plan conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of these financial statements, the Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the pension plan. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in these financial statements.

The firm of KPMG LLP has performed an independent audit of the financial statements of the pension plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditor's report attached to these financial statements.

JOHN A. MOCHRIE
Chief Executive Officer
British Columbia Pension Corporation

P. LOUISE YOUNG, C.A.,
Vice-President, Information Management,
Finance and Administration
British Columbia Pension Corporation

July 6, 2001

FINANCIAL STATEMENTS

PUBLIC SERVICE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

March 31	2001	2000
ASSETS		
Investments (Note 3)	$ 11,746,272	$ 12,405,873
Receivables		
Members' contributions	3,446	5,033
Accrued investment income	3,570	2,521
Due from MLA Superannuation Account	264	634
Due from sale of investments	174,060	29,570
Other	2,518	3,716
	183,858	41,474
Prepaid expenses	1,545	54
Cash	437	1,103
Total Assets	11,932,112	12,448,504
LIABILITIES		
Employer rebates (net of contributions receivable)	20,173	1,873
Payable for purchase of investments	184,207	317,700
Accounts payable and accrued expenses	7,554	11,098
Total Liabilities	211,934	330,671
NET ASSETS AVAILABLE FOR BENEFITS	$ 11,720,178	$ 12,117,833

Obligations for Accrued Pension Benefits for Accounting Purposes (Note 7)

Commitments (Note 11)

All accompanying notes are an integral part of these financial statements.

John W. Cook, F.C.I.A.,
Chair, Public Service Pension Board of Trustees

Wayne Scale
Trustee, Public Service Pension Board of Trustees

Diane Wood
Trustee, Public Service Pension Board of Trustees

FINANCIAL STATEMENTS

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended March 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2001	2000
INCREASE (DECREASE) IN ASSETS					
Net investment income (loss) (Note 4)	$ (245,827)	$ (81,572)	$ -	$ (327,399)	$ 1,890,034
Contributions (Note 5)					
Employers', net of rebate (Note 8)					
Province of British Columbia	61,015	12,972	5,695	79,682	60,264
Other	36,099	7,838	3,310	47,247	36,156
	97,114	20,810	9,005	126,929	96,420
Members'	111,113	29,847	-	140,960	137,041
	208,227	50,657	9,005	267,889	233,461
Transfers from other plans	6,643	2,387	-	9,030	4,072
Transfers from MLA Superannuation Account (Note 9)	222	42	-	264	616
Total Increase (Decrease) in Assets	(30,735)	(28,486)	9,005	(50,216)	2,128,183
DECREASE IN ASSETS					
Pension benefits					
Contributory	234,148	-	266	234,414	220,175
Indexing supplements	61,131	-	-	61,131	56,568
	295,279	-	266	295,545	276,743
Termination benefits	17,118	5,834	-	22,952	18,411
Transfers to other plans	10,409	3,401	-	13,810	5,080
Retired member group benefits (Note 10)	-	-	8,636	8,636	8,468
Administration costs (Note 9)	6,393	-	103	6,496	6,717
Total Decrease in Assets	329,199	9,235	9,005	347,439	315,419
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	(359,934)	(37,721)	-	(397,655)	1,812,764
Account transfers (Note 6)	(112,551)	112,551	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(472,485)	74,830	-	(397,655)	1,812,764
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	9,576,735	2,541,098	-	12,117,833	10,305,069
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 9,104,250	$ 2,615,928	$ -	$ 11,720,178	$ 12,117,833

Supplemental Benefits Account (Note 10)

FINANCIAL STATEMENTS

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN

The *Public Sector Pension Plans Act* was passed by the BC legislature on July 15, 1999. Effective April 1, 2000, the existing *Pension (Public Service) Act* (the "Act") and related regulations, which had previously governed the Plan, were repealed and the Public Service Pension Plan (the "Plan") is now governed by Schedule C of the new Act. The Act allowed for named partners to negotiate and enter into a Joint Trust Agreement. The member partners were the B.C. Government and Services Employees' Union (the "BCGEU"), the Professional Employees Association and the Union of Psychiatric Nurses and the employer partner was the provincial government. The partners on an ongoing basis are the provincial government as the employer partner and the BCGEU as the member partner. Effective January 1, 2001, a Joint Trust Agreement was implemented and the pension plan rules are now made under the authority of that agreement. The agreement also describes the composition, appointment, powers, functions and duties of the trustees. As a result, Part 1 of Schedule C of the Act and related regulations to the schedule were repealed.

a) General

The Plan is a contributory defined benefit pension plan open to eligible employees of the Public Service and certain crown corporations, agencies, institutions and other employers approved by the Plan's Board of Trustees (the "Board").

b) Roles and Responsibilities

Prior to December 31, 2000, the Public Service Pension Board oversaw the administration of the Plan and the chair of the board acted as trustee. Effective January 1, 2001, with the new Joint Trust Agreement, the Plan became governed by a new board of trustees, representing plan members and employers and with full responsibility for the management of the Plan.

The British Columbia Investment Management Corporation (bcIMC) provides investment management services within investment policies approved by the Board.

Effective April 1, 2000, the Superannuation Commission was replaced by the British Columbia Pension Corporation (Pension Corporation) as the provider of benefit administrative services to the Plan.

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

c) Contributions

Basic Account

Members contribute to the Basic Account 4.25% of salaries up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($38,300 in 2001) and 5.75% of salary above that.

During the year, employers contributed to the Basic Account 7.75% of salaries up to the YMPE and 9.25% of salaries above that. As a result of the 1999 actuarial surplus, a $97.8 million annual reduction in total employer contributions was implemented effective April 1, 1999 and ended on March 31, 2001. The annual reduction of $97.8 million was approximately equal to 4% of current salary.

Effective April 1, 2001, employer contribution rates in the Basic Account will be equal to those for plan members except for certain limited groups (e.g. correctional centre employees, ambulance employees, provincial court judges, deputy ministers and officers of the Legislature) where employers will pay a higher rate to compensate for the additional cost of their special benefits.

Inflation Adjustment Account and Supplemental Benefits Account

Members contribute 1.25% of salaries to the Inflation Adjustment Account (IAA). Employers contribute 1.25% of salaries to the IAA, less amounts allocated to the Supplemental Benefits Account (2001 - $9 million; 2000 - $8.5 million) (see Note 10).

Effective April 1, 2001, employer contributions to the IAA increase by 1%.

d) Pension Benefits

All members with two years contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65 (age 60 for certain groups);
- at age 60, with at least 2 years contributory service (age 55 for certain groups); or
- at age 55 or older, where age plus years of service equals 85 or more or

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

d) Pension Benefits (continued)

- at age 50 or older, where age plus years of service equals 85 or more for certain groups.

Other retiring members have a reduction formula applied to their pensions.

The plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.3% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE) and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings is based on the member's highest five-year average salary (HAS). The Plan also provides a bridging benefit with CPP which is payable to age 65 (or the date of death, if earlier). The bridging benefit is 0.7% of the lesser of YMPE or the HAS, for each year of the member's pensionable service since January 1, 1966 (when CPP was introduced).

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6).

At January 1, 2001, retired members received a full CPI increase of 2.7% (2000 – 2.6%).

e) Termination and Portability Benefits

A terminating member who has not yet reached the earliest age at which the member would be eligible to receive an immediate pension is eligible to receive:

- a deferred pension; or
- a refund of contributions with interest;
- a transfer of the member's commuted value of the pension benefit (the minimum value is the contributions with interest) to a locked-in Registered Retirement Savings Plan, or registered pension plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements. Where there are portability arrangements between the Plan and other plans, members may be able to carry certain pension rights to those other plans, or transfer contributions and service from those other plans to increase pension benefits under the Plan.

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account of the pension fund. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP), as defined in the *Income Tax Act (Canada)*, except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The RPP is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the pension plan as a separate financial reporting entity, independent of the plan's contributing employers and members, and independent of any associated retired member group benefit plans. The statement of net assets available for benefits shows the assets under control of the trustees of the Plan, and does not purport to show their adequacy to meet the obligations of the Plan.

b) Investments

Investments are stated at market value. Market value is derived from external quotations or appraisals. Investment purchases and sales are recorded on trade date.

c) Investment Income

Investment income is recorded on the accrual basis.

d) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Actual

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Use of Estimates (continued)

results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of investments and the actuarial estimate of the actuarial surplus for the Basic Account.

3. INVESTMENTS (Market Value)

	2001			2000
	Basic Account	Inflation Adjustment Account	Total	Total
			($ Thousands)	
Short-term	$ 100,230	$ 47,439	$ 147,669	$ 522,526
Canadian Bonds	2,983,624	851,958	3,835,582	3,843,102
Canadian Equities	2,323,563	669,211	2,992,774	3,941,614
U.S. Equities	1,021,397	286,598	1,307,995	1,295,193
International Equities	1,228,729	348,186	1,576,915	1,184,318
Mortgages	312,186	90,376	402,562	403,726
Real Estate	853,909	238,783	1,092,692	986,350
Private Placements	389,641	442	390,083	229,044
	$9,213,279	$2,532,993	$11,746,272	$12,405,873

Plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the bcIMC. Each unit gives its holder a proportionate share in the equity of the respective pooled investment fund. One or more pooled investment portfolios exist for different asset classes, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East. Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of Canadian diversified income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 11).

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

3. INVESTMENTS (continued)

The mortgages are secured by real estate and are valued using current market yields. The real estate is valued at least semi-annually by the real estate investment managers and, on average, annually by external appraisal to establish current market values. Private placements are valued annually for the closed-end funds.

4. INVESTMENT INCOME

	2001			2000
	Income Allocation	Current Period Change in Market Value	Total	Total
			($ Thousands)	
Basic Account				
Short-term	$ 8,528	$ 1,604	$ 10,132	$ 5,284
Canadian Bonds	184,883	75,034	259,917	40,476
Canadian Equities	40,301	(274,917)	(234,616)	1,052,110
U.S. Equities	13,402	(181,015)	(167,613)	153,043
International Equities	17,994	(292,344)	(274,350)	198,505
Mortgages	24,021	6,020	30,041	17,684
Real Estate	40,429	32,992	73,421	41,295
Private Placements	1,419	68,799	70,218	6,136
	$330,977	$(563,827)	$(232,850)	$1,514,533
Investment Management Costs			(12,977)	(10,162)
Net Investment Income (Loss)			$(245,827)	$1,504,371
Inflation Adjustment Account				
Short-term	$ 2,572	$ 76	$ 2,648	$ 1,794
Canadian Bonds	51,944	25,817	77,761	29,148
Canadian Equities	11,020	(79,983)	(68,963)	256,601
U.S. Equities	3,325	(48,140)	(44,815)	36,556
International Equities	4,684	(76,748)	(72,064)	49,709
Mortgages	6,210	1,547	7,757	4,217
Real Estate	10,865	8,500	19,365	9,951
Private Placements	4	(4)	-	-
	$ 90,624	$(168,935)	$ (78,311)	$ 387,976
Investment Management Costs			(3,261)	(2,313)
Net Investment Income (Loss)			$ (81,572)	$ 385,663
Total Basic and Inflation Adjustment Accounts				
Total Investment Income (Loss)			$(311,161)	$1,902,509
Total Investment Management Costs (Note 9)			(16,238)	(12,475)
Total Net Investment Income (Loss)			$(327,399)	$1,890,034

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

4. INVESTMENT INCOME (continued)

The income allocation portion of investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by the bcIMC, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

5. CONTRIBUTIONS

	2001				2000
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
				($ Thousands)	
Members' contributions					
Regular	$107,263	$29,452	$ -	$136,715	$131,782
Arrears	19	6	-	25	46
Purchase of service	1,816	164	-	1,980	2,323
Leave of absence	178	46	-	224	171
Reinstatement	1,837	179	-	2,016	2,719
	111,113	29,847	-	140,960	137,041
Employers' contributions					
Province of British Columbia					
Regular	58,733	12,839	-	71,527	50,761
Arrears	8	1	-	9	47
Purchase of service	1,503	101	-	1,604	2,358
Leave of absence	194	29	-	223	245
Reinstatement	577	2	-	579	1,364
	61,015	12,972	-	73,987	54,775
Other employers					
Regular	34,989	7,764	-	42,753	31,376
Arrears	41	7	-	48	111
Purchase of service	904	39	-	943	1,409
Leave of absence	165	28	-	193	19
	36,099	7,838	-	43,937	32,915
Supplemental benefits	-	-	9,005	9,005	8,730
Total Employers	97,114	20,810	9,005	126,929	96,420
Total Contributions	$208,227	$50,657	$9,005	$267,889	$233,461

Employer regular Inflation Adjustment Account contributions were $29,311 of which $8,708 was allocated to the Supplemental Benefits Account.

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

6. ACCOUNT TRANSFERS

	2001		2000	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	($ Thousands)			
Present value of current indexing supplements	$ 66,051	$(66,051)	$ 58,710	$(58,710)
Indexing of deferred pensions	1,630	(1,630)	1,722	(1,722)
Excess interest	(80,232)	80,232	(159,378)	159,378
One time transfer	(100,000)	100,000	-	-
	$(112,551)	$112,551	$ (98,946)	$ 98,946

A separate account is maintained for funding future indexing supplements. This Inflation Adjustment Account (IAA) is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the IAA to the Basic Account.

Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid (approximately $2.6 billion of assets for 2001, $2.4 billion for 2000). The excess interest rate of return is determined by taking the difference between the actual market rate of return based on a five-year average and the rate of return used by the actuary (7.3%) in valuing the Plan's liabilities. The calculated excess interest rate of return for fiscal 2001 is 3.09%. Should the excess interest rate calculation ever result in a negative return, the negative return will be carried forward and offset against future excess returns.

The Joint Trust Agreement specified a one-time transfer of $100 million on January 1, 2001 from the Basic Account to the IAA.

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

7. OBLIGATIONS FOR ACCRUED PENSION BENEFITS FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years and its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 8(a). As part of the actuarial valuation the actuary calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date.

The Basic Account is the account from which the defined guaranteed basic benefits of the Plan are paid and from which any indexing that has been granted to retired members, is also paid. Indexing benefits are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient money is available from the Inflation Adjustment Account (IAA) to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the necessary net present value funding for the granted indexing. Therefore accrued basic pension benefits, for valuation purposes, include the liability for all indexing granted to the date of the valuation, but not, as yet unknown, future indexing.

The latest full valuation was made as of March 31, 1999 by Eckler Partners Ltd. Net actuarial assets in the Basic Account as at that date were $7.4 billion (1996 - $5.4 billion). Liabilities for accrued basic pension benefits were $6.3 billion (1996 - $5.2 billion). As a result, on an accrued benefits basis, there was a Basic Account surplus of $1.1 billion (1996 - $0.2 billion). The next full actuarial valuation will be at March 31, 2002 for inclusion in the March 31, 2003 financial statements.

The present value of liabilities for pension benefits accrued to the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. Actuarial liabilities and net assets reflect the following long-term actuarial assumptions:

- annual investment return 7.3%
- annual salary escalation rate 4.8%

In accordance with the Joint Trust Agreement, an extrapolation of the March 31, 1999 valuation results was performed subsequent to March 31, 2001, to bring the results forward to March 31, 2001, using the same long-term actuarial assumptions, but also:

- updating asset values to March 31, 2001
- adjusting liabilities and payrolls for actual general salary increases in the two-year period since the valuation

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

7. OBLIGATIONS FOR ACCRUED PENSION BENEFITS FOR ACCOUNTING PURPOSES (continued)

- allowing for employer rebates that occurred from April 1, 1999 to March 31, 2001
- adjusting for the plan rule change effective April 1, 2000 affecting the bridge benefit
- adjusting for the $100 million transfer from the Basic Account to the Inflation Adjustment Account, effective January 1, 2001

On that basis the extrapolated surplus on an accrued benefit basis to March 31, 2001 is $1.8 billion.

However, extrapolations are not reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the Inflation Adjustment Account, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

8. FUNDING

a) Basic Account

An actuarial valuation of the Plan's account assets and pension obligations is performed at least every three years to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry age method.

The most recent full actuarial valuation for funding purposes was prepared as at March 31, 1999. The March 31, 1999 actuarial valuation disclosed a surplus, for funding purposes, for Basic Account pension benefits of $929 million (1996 - $222 million), assuming future contributions at the existing statutory rates in effect at the valuation date.

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

8. FUNDING (continued)

a) Basic Account (continued)

As a result of this valuation, the actuary's calculated level contribution rate for basic pension benefits was 13.21% of employer payroll, for salaries above the YMPE. This rate is 1.79% of employer payroll lower than the combined employee and employer statutory rate of 15.0%. A temporary employer contribution reduction was first implemented, as described in Note 1(c), followed by a contribution rate reduction effective April 1, 2001.

The following table shows a key indicator of the financial health of a pension plan, the Basic Account surplus/unfunded actuarial liability (UAL), as a percentage of payroll, for the three most recent triennial actuarial valuations. (Values shown in the table assume future contributions at the statutory rates in place at the time, rather than the actuary's calculated rates and do not reflect the temporary employer contribution reduction.)

Actuarial Valuation Date	Actuarial Value of Basic Account Assets (w)	Basic Account Actuarial Liability (x)	Basic Account Surplus (UAL) (y)	Covered Payroll (z)	Surplus (UAL) as a Percentage of Payroll (y/z)
		($ Billions)			
1993	6.90	7.09	(0.19)	1.84	(10%)
1996	8.21	7.99	0.22	2.21	10%
1999	10.21	9.28	0.93	2.26	41%

In accordance with the Joint Trust Agreement, an extrapolation of the March 31, 1999 valuation results was performed subsequent to March 31, 2001, to bring the results forward to March 31, 2001, using the same long-term actuarial assumptions, but also:

- updating asset values to March 31, 2001
- adjusting liabilities and payrolls for actual general salary increases in the two-year period since the valuation
- allowing for employer rebates that occurred from April 1, 1999 to March 31, 2001
- adjusting for the plan rule change to the bridge benefit, effective April 1, 2000

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

8. FUNDING (continued)

a) Basic Account (continued)

- adjusting for the $100 million transfer from the Basic Account to the Inflation Adjustment Account, effective January 1, 2001
- adjusting for contribution rate changes implemented through the Joint Trust Agreement (Note 1c)

On that basis, the extrapolated results, on a funding basis, to March 31, 2001 indicate a $0.8 billion surplus.

The Joint Trust Agreement now specifies a transitional period where if an actuarial valuation indicates that surplus assets exist, certain benefit improvements will be made in a specified order.

If an actuarial valuation indicates that increased basic contribution rates are required, the increase must be shared equally by members and employers. The agreement also describes the manner in which the Board can elect to apply surplus assets.

b) Inflation Adjustment Account

No unfunded liability exists for the Inflation Adjustment Account (IAA), since the obligation for future indexing benefits is limited to the amount of the available assets in the IAA. As indexing is granted to retired members full funding for that granted indexing, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any legislative or Plan provision or intention to fund the IAA to any minimum level of future potential indexing.

The Plan's Board monitors the performance of the IAA and reviews the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefits costs. This sensitivity analysis should assist the Board to identify some years in advance of its possible occurrence, the point at which the IAA assets may cease to grow and, thereafter, the point at which full indexing benefits may not be able to be granted. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

9. RELATED PARTY TRANSACTIONS

a) Transfers from Members of the Legislative Assembly ("MLA") Superannuation Account

	2001	2000
	($ Thousands)	
Present value of MLA pensions granted	$222	$559
Contributions for indexing supplements	42	57
	$264	$616

When a Member of the Legislative Assembly (MLA) is granted a pension, the present value of the pension is transferred from the Members of the Legislative Assembly Superannuation Account to the Plan, from which monthly benefits are paid.

During the year ended March 31, 2001, 1 MLA (2000 - 2) was granted a pension.

b) Administration Costs

Administration costs include general benefit administration costs, actuarial fees and Board expenses. General administration costs incurred by the Pension Corporation are prorated and charged to each pension plan under its administration based primarily on the relative numbers of members in each plan.

c) Investment Management Costs

The bcIMC manages investments on behalf of the Plan and uses internal and external investment managers for this purpose. Total investment management fees for 2001 were $16.2 million (2000 - $12.5 million).

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act (Canada)* limits for registered pension plans are paid through this account. Certain group benefit coverage may also be funded for retired members through the account. The availability, type and level of these retiree group benefit coverage is contingent upon the availability of funds within the Supplemental Benefits Account to fund such benefits. Effective April 1, 2001 funding of retiree extended health care plan benefits and medical services plan premiums may occur through the Supplemental Benefits Account, as well as dental benefits previously allowed.

PUBLIC SERVICE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
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11. COMMITMENTS

The Plan participates in the Private Placements pools managed by bcIMC, which are closed-end funds consisting primarily of investments in limited partnerships.

As at March 31, 2001, the Public Service Pension Plan's share of commitments (over the next several years) for future investment in these pools is approximately $301.3 million.

12. FINANCIAL INSTRUMENTS

The Plan's financial instruments consist of cash, investments, accounts receivable and accounts payable. The fair values of these financial instruments approximate their carrying values.

The Plan's investments are exposed to market risk due to changing market conditions. The Plan manages market risk by monitoring asset allocation strategies in relation to asset mix guidelines set by the Board, and by diversifying investments within various asset classes to control overall market risk.